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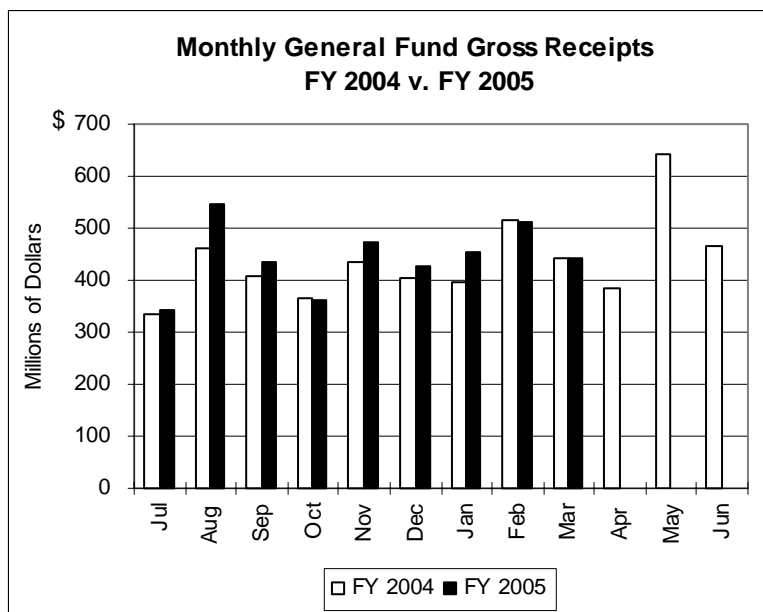
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: April 1, 2005

Monthly General Fund Receipts through March 31, 2005

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.400 billion set by the Revenue Estimating Conference (REC) on December 14, 2004. The FY 2005 estimate is an increase of \$141.5 million (2.7%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference is scheduled for April 8, 2005.



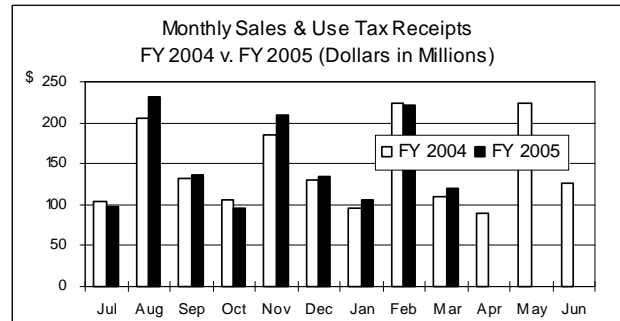
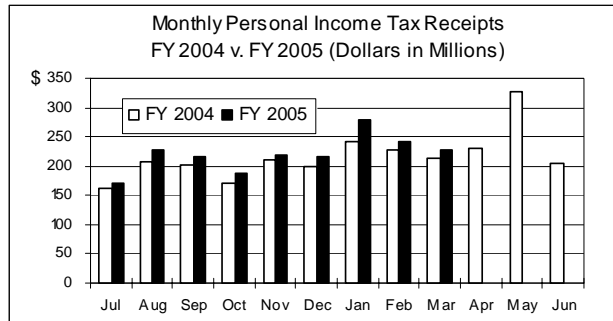
FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$230.1 million (6.1%) compared to FY 2004 (through March). Major revenue sources contributing to the change include:

- Personal income tax (positive \$153.2 million, 8.4%)
- Sales/use tax (positive \$60.5 million, 4.7%)
- Corporate tax payments (positive \$27.4 million, 18.5%)
- Other taxes (negative \$3.2 million, -1.4%)
- Other receipts (negative \$7.7 million, -2.9%)

Personal income tax revenues received in March totaled \$226.3 million, an increase of \$13.8 million (6.5%) compared to March 2004. For the month, withholding tax payments increased \$14.1 million and payments with returns decreased \$0.3 million. Estimate payments are not a significant revenue source during March.

The FY 2005 REC income tax estimate of \$2.717 billion represents a projected increase of 4.8% compared to actual FY 2004. Year-to-date, income tax receipts have increased 8.4%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward. In addition, revisions to income tax withholding tables will negatively impact the last three months of FY 2005. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



Sales/use tax receipts received in March totaled \$119.6 million, an increase of \$9.3 million (8.4%) compared to March 2004. Processing issues appear to have pushed some February revenue into March this year, decreasing February growth while increasing March. Across the two months, sales/use tax receipts grew 2.7%.

The REC estimate for FY 2005 sales/use tax receipts is \$1.767 billion, an increase of 2.0% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 4.7%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

Corporate tax receipts received in March totaled \$24.1 million, a \$2.1 million increase (9.5%) compared to March 2004.

The REC estimate for FY 2005 corporate tax receipts is \$230.6 million, which represents a decrease of 1.8% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 18.5%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward.

Other tax receipts received in March were \$54.7 million, a \$9.2 million (- 14.4%) decrease compared to March 2004. The majority of the decrease in other taxes was due to insurance premium tax law changes. Those changes are lowering the rate and altering the payment due dates. The law changes will also negatively impact insurance premium tax receipts in June. Franchise (banking) tax receipts were also down in March.

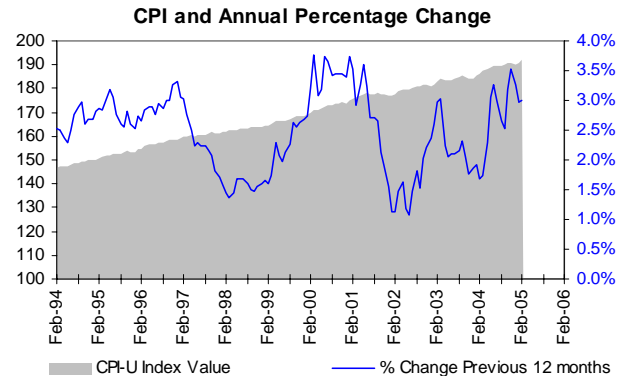
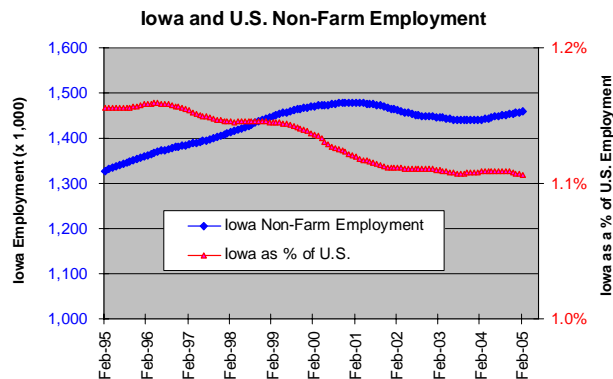
The REC estimate for FY 2005 receipts from other taxes is \$369.2 million, which represents an increase of 0.7% compared to actual FY 2004. Year-to-date, other tax receipts have decreased 1.4%.

Other receipts (non-tax receipts) received in March totaled \$19.4 million, a decrease of \$13.3 million (- 40.7%) compared to March 2004. All sources of non-tax revenue were flat or down for the month, led by a \$10.6 million reduction in miscellaneous income. The FY 2005 decrease was due to an extraordinary unclaimed property transfer that occurred in March 2004.

The REC estimate for FY 2005 other receipt revenue is \$316.2 million, which represents a decrease of 4.8% compared to actual FY 2004. The projected decrease relates to transfers from Area Education Agency balances and the Unclaimed Property Fund. Year-to-date, other receipts have decreased 2.9%.

Status of the Economy

Iowa non-farm employment was reported at 1,433,800 in February (not seasonally adjusted), 14,100 higher than February 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count. The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment peaked at an all time high in the fall of 2000 (1,497,300), and the recent low was February 2003 (1,411,400). The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.11% rating is the lowest since 1989.



Consumer prices increased 0.6% during the month of February (not seasonally adjusted). The Consumer Price Index (CPI-U) through February 2005 was 191.8 (1983/84=100), 3.0% higher than one year ago. The annual rate of inflation has been generally increasing since March 2004.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

| GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through March 31, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers | | | | | ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate | | |
|--|------------|------------|--------------------------|-------------------|--|---------------------|-----------------------|
| | FY 2004 | FY 2005 | Year to Date % CHANGE | March % CHANGE | Actual FY 2004 | Estimate FY 2005 | Projected % CHANGE |
| Personal Income Tax | \$ 1,830.9 | \$ 1,984.1 | 8.4% | 6.5% | \$ 2,592.3 | \$ 2,716.7 | 4.8% |
| Sales/Use Tax | 1,293.2 | 1,353.7 | 4.7% | 8.4% | 1,732.4 | 1,766.8 | 2.0% |
| Corporate Income Tax | 148.2 | 175.6 | 18.5% | 9.5% | 234.8 | 230.6 | -1.8% |
| Inheritance Tax | 59.2 | 59.9 | 1.2% | 30.4% | 80.1 | 77.7 | -3.0% |
| Insurance Premium Tax | 66.8 | 64.0 | -4.2% | -21.6% | 138.2 | 145.0 | 4.9% |
| Cigarette Tax | 64.0 | 64.4 | 0.6% | 4.0% | 87.1 | 88.0 | 1.0% |
| Tobacco Tax | 5.9 | 6.5 | 10.2% | 60.0% | 8.0 | 8.2 | 2.5% |
| Beer Tax | 10.4 | 10.4 | 0.0% | 0.0% | 14.0 | 14.0 | 0.0% |
| Franchise Tax | 23.8 | 21.6 | -9.2% | -50.0% | 38.0 | 35.3 | -7.1% |
| Miscellaneous Tax | 1.3 | 1.4 | 7.7% | -50.0% | 1.1 | 1.0 | -9.1% |
| Total Special Taxes | \$ 3,503.8 | \$ 3,741.6 | 6.8% | 3.9% | \$ 4,926.0 | \$ 5,083.3 | 3.2% |
| Institutional Payments | 9.3 | 9.5 | 2.2% | -7.1% | 13.7 | 13.0 | -5.1% |
| Liquor Profits | 39.8 | 39.8 | 0.0% | 0.0% | 58.0 | 60.1 | 3.6% |
| Interest | 5.8 | 7.5 | 29.3% | -25.0% | 7.6 | 7.0 | -7.9% |
| Fees | 61.0 | 50.1 | -17.9% | -32.9% | 79.9 | 65.1 | -18.5% |
| Judicial Revenue | 39.4 | 39.5 | 0.3% | -1.7% | 57.5 | 57.3 | -0.3% |
| Miscellaneous Receipts | 46.9 | 48.1 | 2.6% | -85.5% | 55.2 | 53.7 | -2.7% |
| Racing and Gaming Receipts | 60.0 | 60.0 | 0.0% | 0.0% | 60.0 | 60.0 | 0.0% |
| TOTAL GROSS RECEIPTS | \$ 3,765.9 | \$ 3,996.0 | 6.1% | 0.6% | \$ 5,257.9 | \$ 5,399.5 | 2.7% |